

Pizu Group Holdings Limited

比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8053)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE QUARTER ENDED 30 JUNE 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors of Pizu Group Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to Pizu Group Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report or this report misleading.

HIGHLIGHTS

- Turnover of the Group for the quarter ended 30 June 2019 (the “Quarterly Period”) was approximately RMB388.83 million, representing an increase of approximately 44.41% as compared to corresponding period in the previous fiscal year.
- The Group recorded a profit attributable to Owners approximately RMB51.37 million for the Quarterly Period.
- The Group recorded a total comprehensive income attributable to Owners approximately RMB53.65 million for the Quarterly Period.
- Basic and diluted earnings per share of the Group was approximately RMB0.014 for the Quarterly Period.
- The Board does not recommend the payment of any dividend for the Quarterly Period.

UNAUDITED RESULTS FOR THE QUARTER ENDED 30 JUNE 2019

The board of directors (the “Board”) of Pizu Group Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the Quarterly Period, together with the unaudited comparative figures for the corresponding period in 2018, as follows:

(Unless otherwise stated, all financial figures presented in this quarterly financial report are denominated in Renminbi (“RMB”) thousand dollars)

		Three months ended	
		30 June	
	<i>Notes</i>	2019	2018
Revenue	2	388,831	269,259
Cost of goods sold and services provided		<u>(260,123)</u>	<u>(192,624)</u>
Gross profit		128,708	76,635
Other income and gain		609	1,100
Share of profit of associates		3,680	785
Selling and distribution expenses		(11,270)	(2,521)
Administrative expenses		<u>(23,444)</u>	<u>(15,892)</u>
Profit from operating		98,283	60,107
Finance costs	3	<u>(329)</u>	<u>(559)</u>
Profit before income tax		97,954	59,548
Income tax	4	<u>(11,386)</u>	<u>(6,925)</u>
Profit for the period		86,568	52,623

		Three months ended	
		30 June	
	<i>Notes</i>	2019	2018
Other comprehensive loss for the period			
Exchange differences arising from translation of foreign operation		<u>2,279</u>	<u>2,564</u>
Total comprehensive income for the period (net of tax)		<u>88,847</u>	<u>55,187</u>
Profit attributable to:			
– Owners of the Company		51,368	32,516
– Non-controlling interest		<u>35,200</u>	<u>20,107</u>
		<u>86,568</u>	<u>52,623</u>
Total comprehensive income attributable to:			
– Owners of the Company		53,647	35,080
– Non-controlling interest		<u>35,200</u>	<u>20,107</u>
		<u>88,847</u>	<u>55,187</u>
		<i>RMB (Yuan)</i>	<i>RMB (Yuan)</i>
Earnings per share	6		
Basic and diluted		<u>0.014</u>	<u>0.009</u>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2019.

The quarterly report is unaudited, but has been reviewed by the audit committee of the Company.

The Group principally operates in the People’s Republic of China (the “PRC”) with its business activities principally transacted in RMB, the results of the Group are therefore prepared in RMB.

2. REVENUE

An analysis of the revenue from the Group’s principal activities, which is also the group’s turnover is as follows:

	Three months ended	
	30 June	
	2019	2018
Sales of civil explosive	165,394	50,215
Provision of blasting operations	223,437	219,044
	<u>388,831</u>	<u>269,259</u>

3. FINANCE COST

	Three months ended	
	30 June	
	2019	2018
Interest charge on bank borrowing	329	559
	<u>329</u>	<u>559</u>

4. INCOME TAX

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for a year. Two subsidiaries which are incorporated in Tajikistan is subject to a corporate income tax rate of 23% (for activities other than goods production) and 13% (for activity of goods production) respectively. EIT is calculated at the applicable PRC enterprise income tax rate of 25%, except that:

- (i) two PRC subsidiaries which have obtained the New and Hi-tech Enterprise recognition are entitled to enjoy preferential EIT rate. One of the subsidiaries is entitled to preferential tax rate of 15% for a period of 3 years from 29 August 2014 and such period is further extended for 3 years to 24 August 2020 after the review by the tax authority on 25 August 2017. Another subsidiary is entitled to preferential tax rate of 15% for a period of 3 years from 29 November 2016.
- (ii) a branch which is located in the Tibet Autonomous Region of the PRC is entitled to preferential tax rate of 9%. Based on the tax ruling announced by the PRC central tax authorities, the EIT rate of Lhasa is 9% for the period from 1 January 2015 to 31 December 2017. The EIT rate has resumed to 15% from 31 December 2017 onwards if no further announcement of preferential tax treatment is made.

No provision for Hong Kong profits tax is made for the Quarterly Report as there is no assessable profits arising in Hong Kong for such period. No provision for Hong Kong profits tax was made for prior corresponding period as the assessable profits had been fully offset by unused tax losses brought forward from previous years.

Income tax represents:

	Three months ended	
	30 June	
	2019	2018
Current tax		
PRC Enterprise Income Tax	11,256	6,013
Tajikistan Corporation Income Tax	130	912
	11,386	6,925

5. DIVIDENDS

The Board does not recommend payment of any dividend for the Quarterly Period (Three months ended 30 June 2018: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share are based on profit attributable to the owners of the Company and the ordinary shares in issue during the period of 3,558,724,852 (2018: 3,558,724,852).

	Three months ended	
	30 June	
	2019	2018
Profit attributable to the owners of the Company	51,368	32,516

For the period ended 30 June 2019 and 2018, there is no potentially dilutive share in issue during the period and thus the diluted earnings per share is also the same as the basic earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The turnover of the Group for the three months ended 30 June 2019 increased by approximately 44.41% as compared with the same period in 2018. The increase was mainly due to the Group has recently developed Tajikistan market and Tibet market which has continued to generate the enormous revenue. Furthermore, due to the comprehensive environmental inspection in the Inner Mongolia region during the period from May to June last year, many mining customers of our group, especially coal mine customers, reduced production or even stopped production, resulting in a direct impact on the income of the Group's civil explosives in Inner Mongolia. However, there was no such situation this year.

The selling and distribution expenses for the three months ended 30 June 2019 increased by approximately 3.47 times as compared with the same period in 2018. It was mainly due to the increase in domestic sales of civil explosive and the Tajikistan subsidiary has been put into operation.

CHARGE OF ASSETS

As at 30 June 2019, certain property, plant and equipment amounted to RMB97,331,000 (2018: 218,519,000) were pledged to secure the Group's bank loans.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the period ended 30 June 2019, the primary income source of the Group came from sales of civil explosives and provision of blasting services. Especially, the business of provision of blasting operations has been bringing in sustainable revenue for the Group.

Prospect and outlook

On June 29, 2019, a wholly-owned subsidiary of the Company entered into a Capital Injection and Cooperation Agreement with a company engaged in the mining and processing of pyrite, iron ore and copper ore and the sale of the above mineral products, and the relevant announcement was issued. The company hopes to take this opportunity to extend the industrial chain to non-ferrous metals and precious metals mining and development industries.

On 8 July 2019, the Company has resolved to adopt the Share Award Scheme for the purpose of affirming and rewarding the contribution of the Eligible Participants to the growth and development of the Group and motivating eligible participants to retain them and continue to assist the Group's operations and development and attracting suitable personnel to promote further development of the Group.

On July 8, 2019, the Company and an independent buyer signed a sale agreement to sell a subsidiary that failed to renew the subcontracted mining project this year to ensure a healthier structure, and continue to create value for shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

The Company – interests in Shares and underlying Shares

Name of Director	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Xiong Zeke	Interest of a controlled corporation (Note 4)	80,811,927 ordinary shares (L)	2.27%
	Beneficial owner	11,393,333 ordinary shares (L)	0.32%
Ms. Qin Chunhong	Interest of a controlled corporation (Note 5)	34,024,908 ordinary shares (L)	0.96%
	Beneficial owner	540,000 ordinary shares (L)	0.02%
Mr. Liu Fali	Beneficial owner	240,415,854 ordinary shares (L)	6.76%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,657,167,368 ordinary shares (L) (Note 3)	46.57%
Mr. Ma Tianyi	Beneficial owner	3,000,000 ordinary shares (L)	0.08%
Ms. Ma Ye	Beneficial owner	124,005,000 ordinary shares (L)	3.48%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,773,578,222 ordinary shares (L) (Note 3)	49.83%
Mr. Ma Gangling	Beneficial owner	34,024,908 ordinary shares (L)	0.96%

Notes:

1. The letter “L” denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.
2. The percentage of shareholding is calculated based on the number of issued shares of the Company as at 30 June 2019.
3. By virtue of the SFO and the Irrevocable Undertaking given by Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali in favour of Mr. Ma Qiang, (1) Mr. Ma Suocheng was deemed to be interested in all the Shares in which Ms. Ma Xia, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; (2) Ms. Ma Xia was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested; and (3) Ms. Ma Ye was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Mr. Liu Fali and Mr. Ma Qiang were interested; and (4) Mr. Liu Fali was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Ma Qiang were interested.
4. These shares represented the interests of Fabulous Seeker Holdings Limited in 80,811,927 shares of the Company. As the entire issued share capital of Fabulous Seeker Holdings Limited was owned by Mr. Xiong Zeke, he was deemed to be interested in all the shares in which Fabulous Seeker Holdings Limited was interested by virtue of the SFO.
5. These shares includes the interests of Crystal Sky Development Inc. in 34,024,908 shares of the Company which is equally owned by Ms. Qin and her husband. Ms. Qin was deemed to be interested in all the Shares by the virtue of the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES UNDER SFO

So far as is known to any Director or chief executive of the Company, as at 30 June 2019, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares

Name of shareholder	Capacity/nature of interest	Number and class of securities held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Shiny Ocean	Beneficial owner	1,360,996,331 ordinary shares (L)	38.24%
Ma Family Holdings Co. Limited	Interest of a controlled corporation	1,360,996,331 ordinary shares (L) <i>(Note 3)</i>	38.24%
Equity Trustee Limited	Trustee (other than a bare trustee)	1,360,996,331 ordinary shares (L) <i>(Note 3)</i>	38.24%
Mr. Ma Suocheng	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,897,583,222 ordinary shares (L) <i>(Note 4)</i>	53.32%
Ms. Ma Xia	Beneficial owner	172,166,037 ordinary shares (L)	4.84%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	1,725,417,185 ordinary shares (L) <i>(Note 4)</i>	48.48%

Name of shareholder	Capacity/nature of interest	Number and class of securities held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Mr. Ma Qiang	Founder of a discretionary trust <i>(Note 3)</i>	1,360,996,331 ordinary shares (L)	38.24%
	Interests of any parties to an agreement to acquire interests in the Company required to be disclosed under sections 317(1)(a) and section 318 of the SFO	536,386,891 ordinary shares (L) <i>(Note 4)</i>	15.07%
Mr. Yang Tao	Beneficial owner	273,439,268 ordinary shares (L)	7.68%
Mr. Li Man	Beneficial owner	272,739,268 ordinary shares (L)	7.66%
Mr. Lv Wenhua	Beneficial owner	240,415,854 ordinary shares (L)	6.76%

Notes:

1. The letter “L” denotes a long position in the shares or underlying shares of the Company or any of its associated corporations.
2. The percentage of shareholding is calculated based on the number of issued shares of the Company as at 30 June 2019.
3. These shares were held by Shiny Ocean, which was wholly owned by Ma Family Holdings Co. Limited. The entire issued share capital of Ma Family Holdings Co. Limited was owned by Equity Trustee Limited as trustee of the Ma Family Trust of which Mr. Ma Suocheng and male lineal descendants of Mr. Ma Qiang are the discretionary beneficiaries.
4. By virtue of the SFO and the Irrevocable Undertaking given by Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Liu Fali in favour of Mr. Ma Qiang, (1) Mr. Ma Suocheng was deemed to be interested in all the Shares in which Ms. Ma Xia, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested”; (2) Ms. Ma Xia was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Ye, Mr. Liu Fali and Mr. Ma Qiang were interested and (3) Ms. Ma Ye was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Mr. Liu Fali and Mr. Ma Qiang were interested and (4) Mr. Liu Fali was deemed to be interested in all the Shares in which Mr. Ma Suocheng, Ms. Ma Xia, Ms. Ma Ye and Mr. Ma Qiang were interested.

Save as disclosed herein, as at 30 June 2019, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register which was required to be kept under section 336 of the SFO concerning persons carrying rights to vote in all circumstances at general meetings of any other members of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the three months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (three months ended 30 June 2018: nil).

COMPETING INTERESTS

For the three months ended 30 June 2019, none of the Directors or the controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and has complied with all the code provisions as set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 30 June 2019, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the three months ended 30 June 2019.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of three Independent Non-Executive Directors of the Company, namely Ms. Zhang Lin, Ms. Liu Talin and Ms. Yao Yunzhu.

The Group's unaudited financial statements for the three months ended 30 June 2019 have been reviewed by the audit committee.

As at the date of this report, the Board comprises the follow directors:

Executive directors:

Mr. Xiong Zeke (*Chairman*)

Mr. Liu Fali (*Chief Executive Officer*)

Mr. Ma Gangling (*Chief Operating Officer*)

Mr. Ma Tianyi

Ms. Qin Chunhong

Ms. Ma Ye

Independent non-executive directors:

Ms. Zhang Lin

Ms. Liu Talin

Ms. Yao Yunzhu

By order of the Board
Pizu Group Holdings Limited
Xiong Zeke
Chairman

China, 2 August 2019

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the Company's website at www.pizugroup.com.